

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7055**

**BILL NUMBER:** SB 501

**NOTE PREPARED:** Jan 11, 2005

**BILL AMENDED:**

**SUBJECT:** Industrial Recovery Tax Credit.

**FIRST AUTHOR:** Sen. Server

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill allows a city council to designate as an Industrial Recovery Site certain industrial facilities that are not vacant but that are otherwise disadvantaged, so that investments to improve such industrial facilities are eligible for the Industrial Recovery Tax Credit.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** The scope of the new tax credit authority granted in the bill appears to be very limited. As a result, any additional administrative impact on the State Enterprise Zone Board, the Indiana Economic Development Corporation (IEDC), or the Department of State Revenue (DOR) would be minimal.

**Explanation of State Revenues:** *Summary:* The bill could potentially reduce state revenue from the Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, or Financial Institutions Tax provided the Enterprise Zone Board designates a “disadvantaged industrial facility” in the state as an industrial recovery site eligible for the Industrial Recovery Site Tax Credit. Since the bill is effective beginning July 1, 2005, reductions could begin as early as FY 2006. However, the extent of this fiscal impact is indeterminable.

*Background* Under current law, a taxpayer is entitled to a credit against the Adjusted Gross Income, Insurance Premiums, or Financial Institutions Tax liability for “qualified investment” in an industrial recovery site. Qualified investment may consist of expenditures by the taxpayer for rehabilitation (including remodeling, repair, or betterment of real property in any manner or any enlargement or extension of real property, or the installation, repair, or retrofitting of personal property) located within an industrial recovery site under an

approved plan by the Enterprise Zone Board.

Under the bill, a “disadvantaged industrial facility” that currently does not qualify as an industrial recovery site would qualify for this designation and for the Industrial Recovery Tax Credit if the facility: (1) has at least 1.5 M square feet of floor space; (2) was placed in service before 1945; and (3) employs at least 1,500 people.

Given the criterion in (2) above, the credit for a disadvantaged industrial facility would always be 25% of the qualified investment made in the facility during the taxable year. For vacant facilities, current law provides for a credit ranging from 15% to 25% of the qualified investment made during a taxable year depending upon the age of the facility. The 25% credit applies to facilities at least 40 years old. Currently, it is unknown how many facilities could potentially qualify for the credit as a disadvantaged industrial facility. Potentially, there is at least one facility in the state that currently meets the criteria. This facility is currently operated by Whirlpool Corporation and is located in Evansville. The facility was originally built before 1945 and currently has 1.7 M square feet of floor space. The employment at the facility is approximately 2,700.

The Industrial Recovery Tax Credit (IRTC) has been in effect since 1987 under P.L. 379-1987(ss). Since its inception, 29 tax credits have been awarded totaling about \$23.0 M, an average of about \$800,000 per credit awarded. The total investment in these projects is about \$104.9 M. However, no credits have been awarded since 2002. In 2001 and 2002 only three tax credits were awarded totaling \$1.9 M and project investment totaling about \$10.1 M. In addition

**Explanation of Local Expenditures:** The bill would require either an ordinance or resolution to be passed by a city allowing the city executive to submit an application to the Enterprise Zone Board requesting industrial recovery site status for a disadvantaged industrial facility.

**Explanation of Local Revenues:**

**State Agencies Affected:** Enterprise Zone Board, Indiana Economic Development Corporation, Department of State Revenue.

**Local Agencies Affected:** City of Evansville.

**Information Sources:** Deanna Oware, Indiana Department of Commerce, (317) 232-8917. Evansville Regional Economic Development Corporation, <http://www.vision2000.org/>.

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